



Serving those who serve South Carolina

Fiscal Year 2018 Budget Request House Ways and Means Healthcare Subcommittee

February 1, 2017
Peggy G. Boykin, CPA
Executive Director

SHP budget requirements for FY 2017-2018

State-appropriated funds only



	Percent	EE only	ER and EE share proportionally		ER only
	%	EE+/month	State \$(M) ¹	EE+/month	State \$(M) ¹
Stay grandfathered Current plan	2.5%	\$16.74	\$22.208	\$3.86	\$25.456
Stay grandfathered Current plan (plus annual adult well visit)	4.8%	\$32.12	\$32.182	\$7.41	\$38.419
Stay grandfathered Current plan (plus annual adult well visit and increase in patient liability)	3.5%	\$23.42	\$26.544	\$5.42	\$31.092
Not grandfathered Current plan (plus annual adult well visit and other ACA-required benefits)	5.1%	\$34.12	\$33.483	\$7.88	\$40.109

¹State \$ includes amounts for 2018 rate increase for January-June 2018, annualization of 2017 rate increase for July-December 2017 (\$4.757M) and estimated retiree enrollment growth (\$6.609M).

Projected permissible changes in patient liability



- Remain in ACA-grandfathered status
- -1.3 percent Plan impact

Standard Plan benefit design	2017	2018
Annual deductible	\$445	\$485
Annual coinsurance maximum	\$2,540	\$2,780
Outpatient copay	\$95	\$104
Emergency room copay	\$159	\$174
Office visit copay	\$12	\$13
Tier 2 (preferred brand) prescription drug copay	\$38	\$41
Tier 3 (non-preferred brand) prescription drug copay	\$63	\$69

Proposed annual adult well visit



- Included with this package is a document outlining several proposals for the State Health Plan to cover an annual adult well visit beginning with the January 1, 2018, plan year.
- The adult well visit has a 2.3 percent impact based on no patient liability for the adult well visit. The impact could be offset if patient liability was applied.

	Percent	EE only	ER and EE share proportionally		ER only
	%	EE+/month	State \$(M) ¹	EE+/month	State \$(M) ¹
Additional impact to add annual adult well visit	2.3%	\$15.40	\$9.973	\$3.56	\$12.963



State Health Plan highlights

State Health Plan enrollment as of January 2017



Subscribers		
Subscribers		273,731
Actives	188,089	
Retirees	82,287	
Others	3,355	
Spouses		79,977
Children		128,839
Total covered lives		482,547

Active subscribers	
State agencies	35,432
Higher education	25,649
School districts	86,141
Local subdivisions	32,580
Other	8,287
Total employees	188,089

Retirees	
Medicare	62,212
Non-Medicare	20,075
Total retirees	82,287

Total employer groups: 680

State Health Plan vs. national trends



	Public and private sector insurance plans ¹	State Health Plan ²
2012	6.7%	6.4%
2013	5.6%	4.0%
2014	7.9%	-1.4%
2015	8.2%	8.9%
2016	9.0%	4.3% (12/12) ³

¹Includes active participants and retirees under the age of 65 in private and public sector insurance plans.

²Trend is defined as claims paid per member (includes employee and dependents).

³"12/12" means incurred in 12 months; paid in 12 months.

2015 average annual gross plan cost per active employee¹



	Amount ²
State Health Plan	\$9,548
Public employers	\$12,824
Private – mfg.	\$12,059
Private – financial services	\$11,845
All employers	\$11,212
Employers – 500+	\$11,609
Employers – 20k+	\$11,509
South ³	\$10,690

¹Average cost in PPO (Preferred Provider Organization) and POS (Point of Service) plans

²**Average annual gross plan cost per employee (medical and pharmacy only for active employees and their dependents) =** (Claims cost for employee and dependents + administrative costs + employee contributions)/number of active employees

³**South:** Includes Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia

2016 average monthly total premiums



Totals include employee and employer contributions

	Single	Family
State Health Plan	\$458	\$1,200
Lg. public & private sector employers ¹	\$572	\$1,607
Public & private sector employers in south ²	\$540	\$1,474
Public employers	\$606	\$1,497
Private – manufacturing	\$578	\$1,676
Private – financial services	\$583	\$1,654

¹Lg. public and private sector employers: ≥ 200 employees in public and private sectors

²Public & private sector employers in south: Includes Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia

2016 average annual deductible



	Amount
State Health Plan	\$445
Lg. public & private sector employers ¹	\$814
Public & private sector employers in south ²	\$1,024

¹**Lg. public and private sector employers:** ≥ 200 employees in public and private sectors

²**Public & private sector employers in south:** Includes Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia

2017 composite monthly premiums¹



Compared to other state employee health plans

	Employer	Employee	Total
State Health Plan	\$516.12	\$159.88	\$676.00
South ²	\$704.17	\$182.55	\$886.72
United States	\$867.33	\$184.55	\$1,051.84

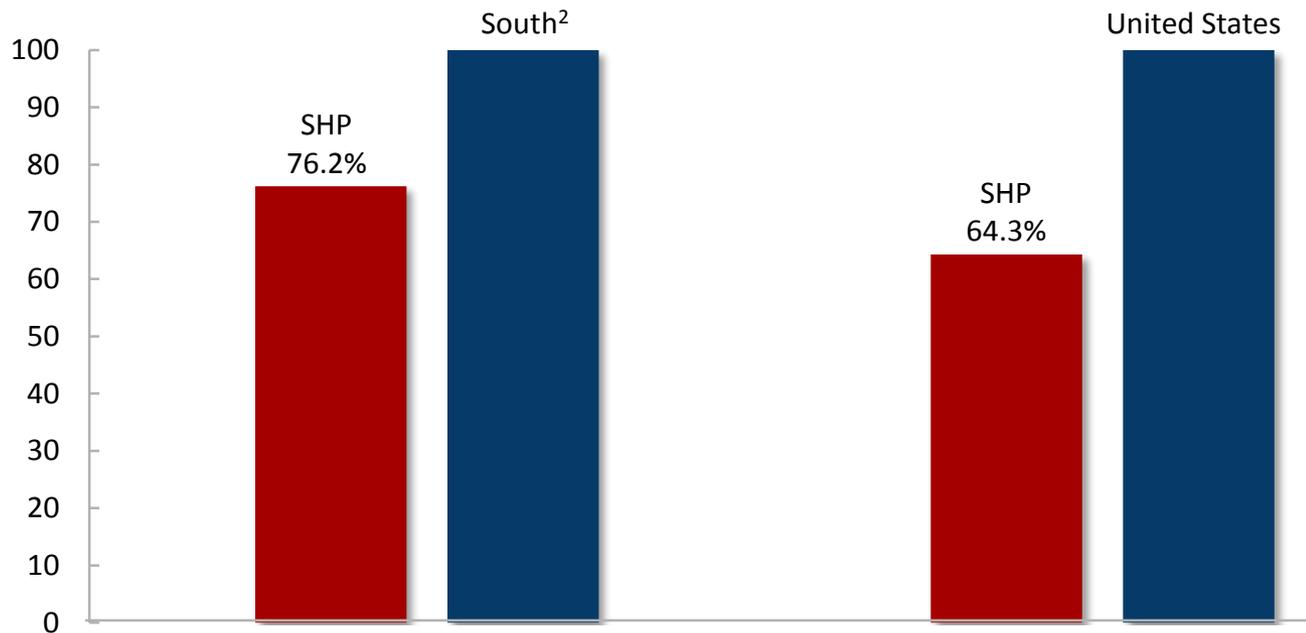
¹**Composite monthly premiums:** Weighted average of all PEBA health subscribers enrolled in each coverage level

²**South:** Includes Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia

2016 SHP composite monthly premiums¹ as a percentage of regional and national averages



Compared to other state employee health plans



¹**Composite monthly premiums:** Weighted average of all PEBA health subscribers enrolled in each coverage level

²**South:** Includes Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia



Operating budget



FY 2018 budget request

Funded Program	FY17 Approved	FY18 Budget Request
I. Administration		
Personal Services	\$289,290	\$289,290
Other Operating	-	-
Administration Total	\$289,290	\$289,290
II. A. Employee Insurance Program		
Personal Services	\$6,410,019	\$6,938,421
Adoption Assistance ¹	\$300,000	\$300,000
Other Operating	\$5,253,720	\$4,477,172
Employee Insurance Program Total	\$11,963,739	\$11,715,593
II. B. Retirement Systems		
Personal Services	\$8,703,867	\$8,994,017
Other Operating	\$5,795,716	\$5,227,455
Retirement Systems Total	\$14,499,583	\$14,221,472
II. C. Operational IT Systems		
Capital/Other Operating	-	\$10,000,000
Operating IT Systems Total	-	\$10,000,000
III. Statewide Employer Contributions²	\$7,495,020	\$7,718,411
IV. Employee Benefits		
Employer Contributions	\$5,277,479	\$5,803,736
Employer Contributions Total	\$5,277,479	\$5,803,736
GRAND TOTAL	\$39,525,111	\$49,748,502

¹Adoption Assistance is funded from the State Health Plan. Requests for reimbursement are expected to be more than \$300,000.

²Details available on Slide 16.

Authorized operating budget trend



	Authorized budget						FY 2018 request
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	
Trust Funds							
Personal Services Total	\$15,163,827	\$14,463,827	\$14,593,889	\$14,593,889	\$14,593,889	\$15,403,176	\$16,221,728
Other Operating Total ¹	\$11,463,734	\$12,163,734	\$11,963,734	\$12,663,734	\$12,663,734	\$11,049,436	\$9,704,627
Adoption Assistance	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
Employer Contributions	\$4,402,530	\$4,402,530	\$4,472,468	\$4,472,468	\$4,472,468	\$5,277,479	\$5,803,736
Total Trust Funds	\$31,330,091	\$31,330,091	\$31,330,091	\$32,030,091	\$32,030,091	\$32,030,091	\$32,030,091
General Funds²					\$8,271,510	\$7,495,020	\$7,718,411
Capital/Other Operating							\$10,000,000
PEBA Grand Total	\$31,330,091	\$31,330,091	\$31,330,091	\$32,030,091	\$40,301,601	\$39,525,111	\$49,748,502
Actual Expenditures	\$25,367,068	\$24,585,242	\$23,804,351	\$29,433,025³	\$33,845,835		

¹Trust Fund authorizations have been unchanged since FY 2012, except for \$700,000 in FY 2015 Administration Other Operating expenses which was for the Fiduciary Audit. The \$700,000 remains in the expenses for FY16, FY17 and FY18.

²General Funds appropriations were added in FY 2016 for statewide pass through items. Detail on Slide 16.

³Includes \$3,010,715 in Capital Expenditures that was transferred to General Services.

FY 2018 statewide employer contributions



	FY17 Approved	FY18 Budget Request
III. Statewide Employer Contributions¹		
Ret Suppl-State Employee	\$267,031	\$267,031
Ret-Suppl-Public School Employee	\$239,672	\$239,672
Ret-Police Insur & Annuity Fund	\$960	\$960
Ret Suppl-Police Officer	\$21,259	\$21,259
Pension Ret-National Guard	\$4,590,798	\$4,814,189
OPEB Trust Fund Pymt	\$2,375,300	\$2,375,300
Fringe Benefits Total	\$7,495,020	\$7,718,411

¹Statewide Employer Contributions were transferred to PEBA as part of Act 121 of 2014 restructuring in FY 2016.



SCNG contribution

GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries

5605 N. MacArthur Blvd.
Suite 870
Irving, TX 75038-2631

469.524.0000 phone
469.524.0003 fax
www.gabrielroeder.com

December 9, 2016

Peggy G. Boykin, CPA
Executive Director
South Carolina Public Employee Benefit Authority
PO Box 11960
Columbia, SC 29211-1960

Re: South Carolina National Guard Pension Fund Contribution for Fiscal Year 2018

Dear Peggy:

We have completed the actuarial valuation as of July 1, 2016 for the South Carolina National Guard Supplemental Retirement Plan. The results of the valuation determined that the State contribution requirement for the fiscal year ending June 30, 2018 is \$4,814,189. This is a \$305,605 increase compared to the contribution requirement for the fiscal year ending June 30, 2017.

The 2016 valuation report, dated December 8, 2016, provides discussion and details regarding the calculation of the contribution requirement, as well as a reconciliation of the change in the contribution requirement determined by the prior actuarial valuation.

Please do not hesitate to contact us if you have any questions or wish to discuss.

Sincerely,

Gabriel, Roeder, Smith & Co.

Joseph P. Newton, FSA, MAAA, EA
Senior Consultant

Daniel J. White, FSA, MAAA, EA
Senior Consultant

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Operational assessment

- An operational assessment has been conducted due to an aging information systems infrastructure that will require replacement during the next five years
- Costs associated with the project will be prorated and paid by both the health insurance and retirement trust funds
- Current systems, while they have served us well, are custom and are written in old language
- Will be looking to procure a new solution that provides opportunities for further insurance and retirement integration, as well as increased automation



Operational assessment

- New system will have to be customized and implemented
- Plan to issue an RFP in spring 2017
- \$50 million project implementation budget
- \$10 million annually for five years beginning in FY 2018
- Significant PEBA resources and personnel will be dedicated and committed to the project
- Authorization for an additional 10 FTEs is requested for the duration of the project



Provisos



PEBA proviso 108.1

- (PEBA: Lottery, Infrastructure Bank, and Magistrates Health Insurance) South Carolina Lottery Commissioners and South Carolina Transportation Infrastructure Bank Board members and their eligible dependents are eligible to participate in the State Health and Dental Insurance Plan, upon paying the full premium costs as determined by the Public Employee Benefit Authority. If a county is participating in the State Health and Dental Insurance Plan, magistrates and their eligible dependents are eligible to participate in the State Health and Dental Insurance Plan, upon the magistrate paying the full premium costs as determined by the Public Employee Benefit Authority.



PEBA proviso 108.2

- (PEBA: Adoption Assistance Program) The Employee Adoption Assistance Program is established to provide grants to eligible employees to assist them with the direct costs of adoption. The program shall be an employee benefit through the Public Employee Benefit Authority (PEBA) and shall be funded from the appropriation for the State Health Plan as provided in this act. Total funding for the Adoption Program shall not exceed the amount authorized by the General Assembly in the annual appropriations act. Employees are eligible for the Adoption Program if they participate in PEBA insurance benefits, have adopted a child during the prior fiscal year, apply for the grant during the annual application period, and meet any other Adoption Program criteria. The application period shall be July first through September thirtieth of the current fiscal year for an adoption in the prior fiscal year. The maximum grant amounts shall be \$10,000 in the case of the adoption of a special needs child and \$5,000 for all other child adoptions. Should the total amount needed to fund grants at the maximum level exceed the amount authorized, the amount of a grant to an eligible employee shall be determined by dividing the authorized amount evenly among qualified program applicants, with the adoption of a special needs child qualifying for two times the benefit of a non-special needs child.



PEBA proviso 108.3

- (PEBA: Health Plan Tobacco User Differential) For health plans adopted under the authority of Section 1-11-710 of the 1976 Code by the Public Employee Benefit Authority during the current fiscal year, the board is authorized to differentiate between tobacco users and nonusers regarding rates charged to enrollees in its health plans by imposing a surcharge on enrollee rates based upon tobacco use. The surcharge for tobacco use may not exceed \$40 per month per subscriber or \$60 per month per subscriber and dependent(s).



PEBA proviso 108.4

- (PEBA: Funding Abortions Prohibited) No funds appropriated for employer contributions to the State Health Insurance Plan may be expended to reimburse the expenses of an abortion, except in cases of rape, incest or where the mother's medical condition is one which, on the basis of the physician's good faith judgment, so complicates the pregnancy as to necessitate an immediate abortion to avert the risk of her death or for which a delay will create serious risk of substantial and irreversible impairment of major bodily function, and the State Health Plan may not offer coverage for abortion services, including ancillary services provided contemporaneously with abortion services. The Public Employee Benefit Authority must determine the amount of the total premium paid for health coverage necessary to cover the risks associated with reimbursing participants in the plan for obtaining an abortion in the circumstances covered by this provision. The determination must be based on actuarial data and empirical study in the same manner and by the same method that other risks are adjusted for in similar circumstances. The plan must report this determination annually to the respective Chairmen of the Senate Finance Committee and the House Ways and Means Committee.



PEBA proviso 108.5

- (PEBA: TRICARE Supplement Policy) The Public Employee Benefit Authority (PEBA) shall offer a group TRICARE Supplement policy or policies to its TRICARE-eligible subscribers through its flexible benefits program to provide that subscribers may pay premiums for such policies on a pretax basis, in accordance with federal law and regulations. PEBA may charge TRICARE Supplement subscribers an amount not to exceed \$2 per subscriber per month for any associated administrative costs.



PEBA proviso 108.6

- (PEBA: State Health Plan) Of the funds authorized for the State Health Plan pursuant to Section 1-11-710(A)(2) of the 1976 Code, an employer premium increase of 0.8 percent and a subscriber premium increase of zero percent for each tier (subscriber, subscriber/spouse, subscriber/children, full family) will result for the standard State Health Plan in Plan Year 2017. Copayments for participants of the State Health Plan in Plan Year 2017 shall not be increased. Notwithstanding the foregoing, pursuant to Section 1-11-710(A)(3), the Public Employee Benefit Authority may adjust the plan, benefits, or contributions of the State Health Plan during Plan Year 2017 to ensure the fiscal stability of the Plan.
 - Needs to be amended for FY18 numbers. This proviso is updated by the General Assembly after the budget is determined.



PEBA proviso 108.9

- (PEBA: Network Pharmacy Publications) All pharmacy publications or lists must include independent retail pharmacies. Abridged pharmacy lists are prohibited.



PEBA proviso 108.13

- (PEBA: Covered Contraceptives) In its Plan of Benefits effective January 1, 2017, the State Health Plan shall not apply patient cost sharing provisions to covered contraceptives. This provision does not alter the current approved list of contraceptives and complies with the requirements of proviso 108.4.



Organizational structure



PEBA's key officials

- Peggy Boykin, CPA | Executive Director
pboykin@peba.sc.gov | 803.734.8117
- Sarah Corbett, CPA | Chief Operating Officer
scorbett@peba.sc.gov | 803.737.7551
- Travis Turner, CPA | Chief Financial Officer
tturner@peba.sc.gov | 803.734.0574
- Stephen Van Camp | General Counsel
svancamp@peba.sc.gov | 803.734.1228
- James Manning | Risk Management and Compliance Director
jmanning@peba.sc.gov | 803.737.6926
- Rob Tester | Healthcare Policy Director
rtester@peba.sc.gov | 803.734.0001

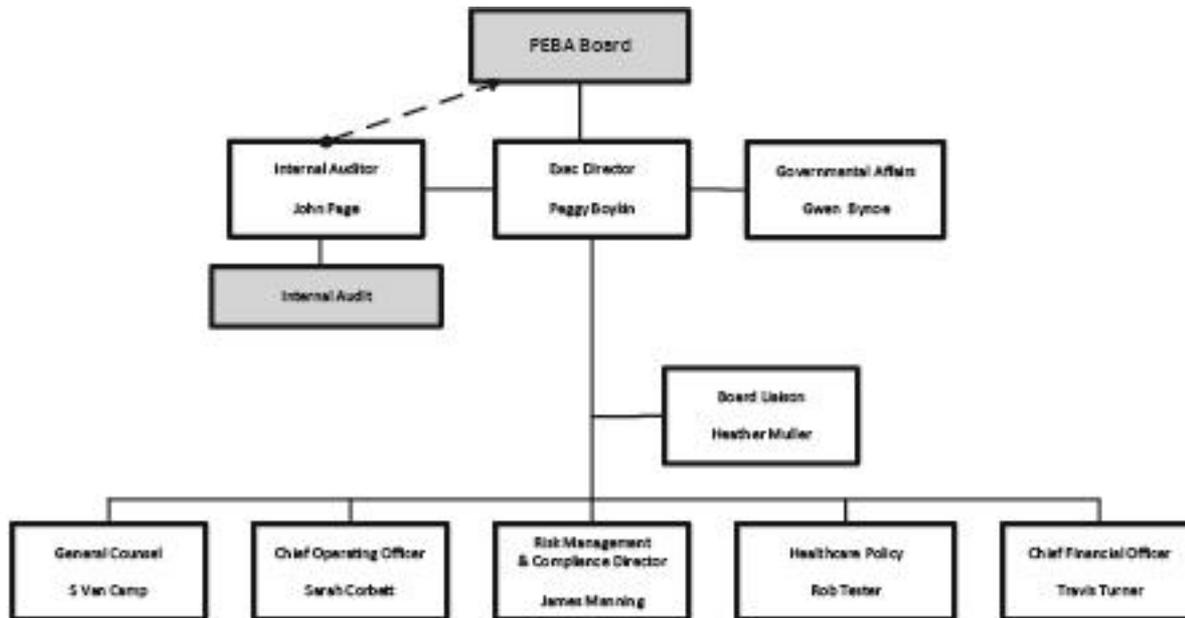


PEBA's key officials

- Gwen Bynoe | Governmental Affairs
gbynoe@peba.sc.gov | 803.737.6911
- John Page | Director of Internal Audit
jpage@peba.sc.gov | 803.737.6634
- Phyllis Buie, CPA | Director of Finance – Insurance
pbuie@peba.sc.gov | 803.734.0326
- Tammy Nichols, CPA | Director of Finance – Retirement
tnichols@peba.sc.gov | 803.737.6821
- Heather Muller | Board Liaison
hmuller@peba.sc.gov | 803.737.6859



Organizational chart





Disclaimer

This presentation does not constitute a comprehensive or binding representation regarding the employee benefits offered by the South Carolina Public Employee Benefit Authority (PEBA). The terms and conditions of the retirement and insurance benefit plans offered by PEBA are set out in the applicable statutes and plan documents and are subject to change. Please contact PEBA for the most current information. The language used in this presentation does not create any contractual rights or entitlements for any person.